

Item No. 11.	Classification: Open	Date: 17 July 2023	Meeting Name: Audit, Governance and Standards Committee
Report title:		Draft 2022-23 statement of accounts for Southwark council	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance	

RECOMMENDATION

1. That the audit, governance and standards committee consider the draft 2022-23 statement of accounts which were published on 30 June 2023 (appendix 1).

BACKGROUND INFORMATION

2. The publication of the statement of accounts is an essential feature of public accountability and stewardship as it provides an annual financial report on the council's stewardship of public funds for which it is responsible. The closing of accounts is also important for financial control and management since it confirms the availability of reserves and balances for future use.
3. The draft 2022-23 statement of accounts is subject to external audit. Grant Thornton, the auditors, are required to satisfy themselves that the council's accounts comply with statutory requirements and that they have been compiled according to proper practices. In addition they are also required to provide an opinion as to whether the council has arrangements in place for securing economy, efficiency and effectiveness in the use of resources.
4. Under the constitution, the audit, governance and standards committee formally receives and approves the annual statement of accounts. The audited accounts together with the external auditors' findings report on the accounts are scheduled to be presented to the audit, governance and standards committee at their meeting in November 2023, subject to the progress status of audit.

KEY ISSUES FOR CONSIDERATION

5. Under the 2015 regulations, the accounts are required to present a true and fair view of the financial position of the council and comply with 'proper accounting practices'. The Local Government Act specifies the Chartered Institute of Public Finance Accountants (the CIPFA) Code of Practice on local authority accounting as representing proper accounting practices for this purpose.
6. In response to the Covid-19 pandemic, the government approved an extended timetable for publishing and auditing the accounts to 31 July and

30 November respectively for financial years 2019-20 to 2021-22. For the 2022-23 accounts, the statutory deadlines have reverted back to the pre-Covid-19 pandemic dates of 31 May for draft publication and 30 September for the publication of audited accounts.

7. The regulations also require the draft accounts to be reviewed by the council's responsible section 151 officer (the Strategic Director of Finance) by 31 May, and for those accounts to be published for public inspection no later than the first working day of June, or else issue a notice of delay on its website. A notice of delay was published on 31 May stating that the council had to delay publication of the draft 2022-23 statement of accounts due to audit delays for prior year accounts and resourcing issues.
8. The draft 2022-23 statement of accounts have now been approved by the Strategic Director of Finance and were published on the council's website on 30 June 2023, with the period of public inspection commencing on 3 July 2023.
9. The external audit of the draft accounts is due to commence in July 2023 and it is currently expected that the audit will be completed by 30 November 2023.
10. With regard to prior year accounts, there was a year-long national moratorium by audit firms in the local government sector due to the resolution of a technical accounting matter regarding the valuation of infrastructure assets (e.g. highways, bridges, street lighting) on local authority balance sheets. This matter has been temporarily resolved by the issuance of legislation which allows local authorities to over-ride accounting regulations for infrastructure assets for a period up to 2024-25, after which it is expected that local authorities will move to accounting for these assets on a valuation rather than a cost basis.
11. The council's 2020-21 accounts were updated to incorporate the changes to infrastructure accounting and the 2020-21 audit is complete. We are expecting the 2020-21 audit opinion shortly
12. The council's 2021-22 draft accounts were presented to the audit, governance and standards committee in October 2022 and have been substantially audited. However, due a combination of a late audit start, the long-running infrastructure accounting matter, and further delays created by the triennial pension fund valuation, these accounts could not be finalised before drafting the 2022-23 statement of accounts. The 2021-22 accounts were initially based on the 2019 pension valuation but because the 2022 triennial valuation was carried out whilst the 2021-22 accounts were still open, this is a post balance sheet event, which meant the council had to restate the accounts based on the latest valuation.
13. It should be noted that the delays in completion and audit of prior year accounts is due to a result of national issues and not unique to Southwark. Only about 30% of local authorities published the 2022-23 accounts by the statutory deadline of 31 May and only 12% received their audit opinion for

2021-22 accounts by the statutory deadline for publication of audited accounts. The delays are a result of a number of factors including the increased complexity of accounts, a more rigorous approach by audit firms and lack of sufficient accounting and audit resources.

14. The audited accounts, together with the external auditors report, are expected to be presented to members at the November 2023 meeting for scrutiny and approval. The draft accounts are presented to members now to inform and enable early scrutiny of the key figures ahead of the completion of the audit.

Community, equalities (including socio-economic) and health impacts

Community impact statement

15. This report and the accompanying accounts are not considered to have a direct impact on local people and communities. However, good financial management and reporting arrangements are important to the delivery of local services and to the achievement of outcomes.

Equalities (including socio-economic) impact statement

16. This report is not considered to contain any proposals that would have a significant equalities impact.

Health impact statement

17. This report is not considered to contain any proposals that would have a significant health impact.

Climate change implications

18. This report is not considered to contain any proposals that would have a significant impact on climate change.

Resource implications

19. There are no direct resource implications in this report.

Consultation

20. Consultation on the draft statement of accounts is carried out through formal public inspection. The accounts will be available for public inspection from 3 July 2023 until 11 August 2023.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

21. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Department of Finance files	Finance Department, Second Floor, Tooley Street	Amarjit Uppal 0207 525 4578

APPENDICES

No.	Title
Appendix 1	Draft 2022-23 statement of accounts for Southwark council

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance		
Report Author	Amarjit Uppal, Chief Accountant		
Version	Final		
Dated	3 July 2023		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments included
Assistant Chief Executive (Governance and Assurance)		No	N/A
Strategic Director of Finance		N/A	N/A
Cabinet Member		N/A	N/A
Date final report sent to Constitutional Team			4 July 2023